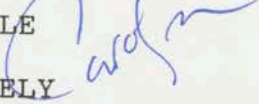


FEBRUARY 28, 1990

TO: SENATOR DOLE 
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO COALITION AGAINST REGRESSIVE TAXATION

On Thursday, March 1, 1990, you are scheduled to speak to a Coalition Against Regressive Taxation breakfast. Bob Lighthizer will introduce you; he calls this event a "chip shot". You have been asked to speak for about 20 minutes on the agenda, budget and taxes and to allow some time for Q & A.

This group is composed of Washington representatives who oppose excise tax increases, notably the truckers, AAA (gasoline taxes), the tobacco industry and beer and alcohol sellers. The transportation industry (ticket taxes) and representatives interested in other, less controversial excise provisions may also attend. Although this group is dedicated to opposing all excise tax increases, Bob says they would privately accept a gasoline tax increase dedicated to infrastructure repair, particularly if existing trust fund revenues were also spent.

The President's budget includes an extension of the telephone excise tax and increases in the excise taxes on air passengers, air freight, and noncommercial aviation gasoline and jet fuel. It also includes fees or fee increases on shipping, securities market transactions and filings, CFTC transactions, FEMA users, and IRS rulings. Finally, it moves the occupational tax from liquor retailers to wholesalers and manufacturers.

You have addressed this group before as have most Finance Committee and Ways & Means Committee members, as well as members of the leadership. Congressman Gephardt is next on the agenda.

juice

January 29, 1990

TO: Senator Dole
FROM: Betty
RE: Request for speech to CART March 1

March 1

Og

W. H. J.

Bob Lighthizer called to ask if you would speak at a meeting of
CART (Coalition Against Regressive Taxation) on Thursday,
March 1, at the American Trucking Association (near Hill).
It could be a breakfast speech -- honorarium \$2,000.

Do you want to do this?? Yes ☐ No ☐

(your scheduled is presently free that morning)

Contact: Bob Lighthizer 371-7000

MARCH 1, 1990

TALKING POINTS

COALITION AGAINST REGRESSIVE TAXATION

O GOOD MORNING. IT IS A PLEASURE TO SEE ALL OF
YOU AGAIN.

THE BUDGET PROCESS

O JUST OVER A MONTH AGO, THE PRESIDENT SUBMITTED A BUDGET TO CONGRESS WHICH MEETS THE 1991 GRAMM-RUDMAN-HOLLINGS DEFICIT TARGET OF \$64 BILLION. IT IS NOT A BOLD PLAN. IT RELIES ON OPTIMISTIC ECONOMIC ASSUMPTIONS; IT IGNORES AS MUCH AS \$40 BILLION IN WORKING CAPITAL NEEDED TO ADMINISTER THE S&L BAILOUT. AND IT INCLUDES THE USUAL EXPEDIENTS, SUCH AS ANOTHER PAYROLL TAX SPEED-UP, TO RAISE REVENUE.

-3-

- O AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A WALK ON THE DEFICIT ALTHOUGH WE HAD AN OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO ENACT SOME TOUGH PROGRAMS LIKE THE FLEXIBLE FREEZE.
- O INSTEAD WE SPENT 10 MONTHS AND DEVOTED OVER 60% OF OUR ROLL CALL VOTES IN THE SENATE TO REDUCE THE DEFICIT BY ONLY \$16 BILLION -- AND WE NEEDED FOUR MONTHS OF SEQUESTER TO DO EVEN THAT. THIS YEAR WE NEED \$36 BILLION -- MORE THAN TWICE AS MUCH -- EVEN USING OMB'S ASSUMPTIONS.

- O SO YOU CAN SEE WHY THE PROCESS IS SO

FRUSTRATING AND WHY THE BUDGET COMMITTEE

PREFERS TO FOCUS ON REFORMING

GRAMM-RUDMAN -- AGAIN! IN FACT, THE COMMITTEE

WILL NOT EVEN BEGIN WORK ON A 1991 BUDGET

RESOLUTION UNTIL AFTER THE MARCH RECESS, ONE

WEEK BEFORE ITS APRIL 1 DEADLINE.
- O SOCIAL SECURITY
- O NEVERTHELESS, SOME BUDGET REFORM IS LIKELY

TO PASS THE SENATE THIS YEAR.

O SENATOR MOYNIHAN HIT UPON A SLOW NEWS DAY
WITH HIS PROPOSAL TO TO ELIMINATE THE SOCIAL
SECURITY TRUST FUND SURPLUS BY CUTTING
PAYROLL TAXES. PREDICTABLY, OTHER DEMOCRATS,
LIKE SENATOR HOLLINGS, IMMEDIATELY BEGAN
CALLING FOR TAX INCREASES TO PAY FOR THESE
CUTS, THEREBY EXPOSING THE REAL DANGER TO
THE ECONOMY OF THE MOYNIHAN PLAN.

O THE PRESIDENT HAS RESPONDED BY PROPOSING
ANNUAL REDUCTIONS IN THE NATIONAL DEBT, --
SORT OF "FORCED INTEGRITY" -- TO END OUR
RELIANCE ON SOCIAL SECURITY FOR CURRENT
GOVERNMENT OPERATIONS. BUT ALTHOUGH THE
LAST TIME I LOOKED SENATOR MOYNIHAN ONLY HAD
ONE VOTE -- HIS OWN -- THIS DEBATE IS LIKELY TO AT
LEAST SLOW DOWN ENACTMENT OF CAPITAL GAINS
RELIEF.

O HOWEVER, THE ISSUE OF THE ROLE OF SOCIAL
SECURITY IN THE BUDGET PROCESS IS SQUARELY
BEFORE US. AND OTHER SENATORS, LIKE SENATOR
HEINZ, ARE RENEWING THEIR CALLS TO REMOVE THE
TRUST FUND BALANCE FROM THE DEFICIT
CALCULATIONS.

CAPITAL GAINS

- O THE PRESIDENT'S BUDGET CONTAINS A REVISED

CAPITAL GAINS RATE REDUCTION PROPOSAL

MODELED ON THE PACKWOOD-ROTH PROPOSAL

INTRODUCED IN THE SENATE LAST YEAR. UNDER THE

PRESIDENT'S PROPOSAL, A 10% INCOME EXCLUSION

WOULD BE EARNED IN EACH OF THE FIRST THREE

YEARS THAT A CAPITAL ASSET IS HELD. IN ADDITION,

THE PROPOSAL HAS BEEN BROADENED TO INCLUDE

ALL CAPITAL ASSETS HELD BY INDIVIDUALS, WITH THE

EXCEPTION OF COLLECTIBLES.

- O FINALLY, PRESIDENT BUSH HAS INDICATED THAT HE
IS WILLING TO WORK WITH MEMBERS OF CONGRESS,
WHO MAY WANT TO ADD CORPORATIONS OR
INDEXING, TO ENACT A PROGRAM THAT WILL
ENCOURAGE LONG-TERM INVESTMENT IN AMERICA.
- O IT IS THIS COMBINATION OF COMMITMENT AND
WILLINGNESS TO COMPROMISE WHICH ENSURES
THAT PRESIDENT BUSH WILL ULTIMATELY PREVAIL
AND THAT CAPITAL GAINS RELIEF WILL PASS THE
CONGRESS THIS YEAR.

SAVINGS INCENTIVES

O AS AN ADJUNCT TO CAPITAL GAINS RELIEF, THE PRESIDENT'S BUDGET ADAPTS ANOTHER PROVISION FROM THE PACKWOOD-ROTH PACKAGE -- TAX-FREE SAVINGS ACCOUNTS. UNDER THIS PLAN, FIRST TRIED IN POST-WAR JAPAN, ALL INCOME EARNED ON FUNDS INVESTED IN A FAMILY SAVINGS ACCOUNT WOULD BE TAX-FREE IF THE FUNDS ARE NOT WITHDRAWN FOR AT LEAST SEVEN YEARS. LIKE THE

ROTH IRA PLUS, THESE ACCOUNTS WILL ENCOURAGE
LONG-TERM SAVINGS BY LOW AND MIDDLE INCOME
TAXPAYERS AND PROVIDE CAPITAL FOR AMERICAN
BUSINESS INVESTMENT AND ECONOMIC GROWTH.

- O THE OBVIOUS NEED TO INCREASE OUR POOR
NATIONAL SAVINGS RATE SHOULD PRODUCE SOME
FORM OF SAVINGS INCENTIVE LEGISLATION,
WHETHER AN IRA EXPANSION OR A NEW ACCOUNT,
THIS YEAR.

O FINALLY, AS A LONG TERM PROJECT, SECRETARY BRADY IS COMMITTED TO ENDING THE BIAS IN OUR TAX LAWS TOWARD DEBT FINANCING BY ENHANCING THE INCENTIVES FOR EQUITY INVESTMENT. THE FIRST OF THESE PROPOSALS SHOULD BE MADE PUBLIC THIS SPRING. LIKE CAPITAL GAINS, THIS DEBATE WILL CALL ATTENTION TO THE EXCESSIVE COST OF CAPITAL WHICH IS HAMPERING AMERICAN BUSINESS.

EXCISE TAXES

0 AS YOU KNOW, THE PRESIDENT'S BUDGET PROPOSAL
EXTENDS THE EXISTING TELEPHONE EXCISE TAX AND
RAISES EXCISE TAXES ON AIRLINE PASSENGERS, AIR
FREIGHT AND NONCOMMERCIAL FUELS TO COVER
FAA PROGRAM COSTS. HOWEVER, THE PRESIDENT
HAS MADE IT CLEAR THAT HE CONSIDERS EXCISE TAX
INCREASES -- EVEN A GAS TAX INCREASE DEDICATED
TO RESTORE OUR CRUMBLING INFRASTRUCTURE --
TO BE "DUCKS" WHICH WOULD VIOLATE HIS NO TAX
PLEDGE.

O SO ALTHOUGH THERE HAVE BEEN CALLS FOR
INCREASES IN SO-CALLED "SIN TAXES" ON ALCOHOL
AND CIGARETTES TO FUND A VARIETY OF SPENDING
PROGRAMS, SUCH AS THE WAR ON DRUGS, THE
PRESIDENT SHOWS NO SIGN OF RELENTING ON THIS
ISSUE.

CLEAN AIR

- O IN THE MEANTIME, PRESIDENT BUSH HAS MADE

GOOD ON HIS CAMPAIGN PROMISE TO BECOME THE

ENVIRONMENTAL PRESIDENT BY PROPOSING A \$19

BILLION REVISION TO OUR CLEAN AIR LEGISLATION --

ITS FIRST MAJOR REVISION IN 12 YEARS.
- O HOWEVER, THE COST OF THE CLEAN AIR

LEGISLATION NOW PENDING ON THE SENATE FLOOR

IS STAGGERING -- \$42 TO \$100 BILLION -- TO BE PAID

BY AMERICAN BUSINESS. THIS DEBATE IS NOT
PARTISAN SO MUCH AS REGIONAL. CITIZENS OF MY
STATE OF KANSAS DO NOT WANT TO PAY THE ENTIRE
BILL FOR CLEANING UP THE AIR IN NEW ENGLAND.

CONCLUSION

- O BECAUSE THIS IS AN ELECTION YEAR, BI-PARTISAN
COOPERATION WILL BECOME MORE AND MORE
DIFFICULT. HOWEVER, I BELIEVE THAT WE WILL
FINALLY AGREE ON CLEAN AIR, ON CHILD CARE, ON

-17-

CAMPAIGN FINANCE REFORM AND ON A CRIME
PACKAGE, AS WELL AS ON SOME FORM OF CAPITAL
GAINS RELIEF. HOWEVER, AS ALWAYS, THE SERIOUS
DEBATE ON THE BUDGET AND THE BUDGET PROCESS
WILL CONTINUE TO DOMINATE OUR AGENDA UNTIL
BOTH CONGRESS AND THE PRESIDENT FACE UP TO
THE TOUGH CHOICES.

O THANK YOU.